



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 998 026 016  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: POLARCUS ADIRA AS  
Forretningsadresse: c/o Advokatfirmaet Thommessen AS  
v/advokat Mads Haavardsholm  
Haakon VIIIs gate 10  
0161 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Erik Mogens Mathiesen  
Dato for fastsettelse av årsregnskapet: 25.06.2020

### Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert  
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 30.09.2021



## Resultatregnskap

Beløp i: USD	Note	2019	2018
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	5	32 375 000	42 106 000
Annen driftsinntekt	5	4 051 000	149 000
<b>Sum inntekter</b>		<b>36 426 000</b>	<b>42 255 000</b>
<b>Kostnader</b>			
Varekostnad		33 957 000	39 447 000
Lønnskostnad		2 448 000	2 991 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	6,9	3 307 000	3 085 000
<b>Sum kostnader</b>		<b>39 712 000</b>	<b>45 523 000</b>
<b>Driftsresultat</b>		<b>-3 286 000</b>	<b>-3 268 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt		1 370 000	997 000
Gain on financial restructuring			5 700 000
<b>Sum finansinntekter</b>		<b>1 370 000</b>	<b>6 697 000</b>
Annen finanskostnad	11	5 396 000	5 390 000
<b>Sum finanskostnader</b>		<b>5 396 000</b>	<b>5 390 000</b>
<b>Netto finans</b>		<b>-4 026 000</b>	<b>1 307 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-7 312 000</b>	<b>-1 961 000</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-7 312 000</b>	<b>-1 961 000</b>
<b>Årsresultat</b>		<b>-7 312 000</b>	<b>-1 961 000</b>
<b>Overføringer og disponeringer</b>			
Udekket tap		-7 312 000	-1 961 000
<b>Sum overføringer og disponeringer</b>		<b>-7 312 000</b>	<b>-1 961 000</b>



## Balanse

Beløp i: USD	Note	2019	2018
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	6	56 063 000	58 931 000
Right of use assets	9	253 000	
<b>Sum varige driftsmidler</b>		<b>56 316 000</b>	<b>58 931 000</b>
<b>Sum anleggsmidler</b>		<b>56 316 000</b>	<b>58 931 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Kundefordringer		214 000	11 691 000
Andre fordringer		4 456 000	2 143 000
Konsernfordringer	13	27 753 000	23 459 000
<b>Sum fordringer</b>		<b>32 423 000</b>	<b>37 293 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende		66 000	6 484 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>66 000</b>	<b>6 484 000</b>
<b>Sum omløpsmidler</b>		<b>32 489 000</b>	<b>43 777 000</b>
<b>SUM EIENDELER</b>		<b>88 805 000</b>	<b>102 708 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	7	83 000	83 000
Overkurs	7	114 070 000	114 070 000
<b>Sum innskutt egenkapital</b>		<b>114 153 000</b>	<b>114 153 000</b>



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Opptjent egenkapital</b>			
Udekket tap		120 499 000	113 187 000
<b>Sum opptjent egenkapital</b>		<b>-120 499 000</b>	<b>-113 187 000</b>
<b>Sum egenkapital</b>		<b>-6 346 000</b>	<b>966 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	8	80 284 000	78 282 000
<b>Sum annen langsiktig gjeld</b>		<b>80 284 000</b>	<b>78 282 000</b>
<b>Sum langsiktig gjeld</b>		<b>80 284 000</b>	<b>78 282 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		1 680 000	7 582 000
Kortsiktig konserngjeld	13	11 196 000	10 414 000
Annen kortsiktig gjeld		1 992 000	5 464 000
<b>Sum kortsiktig gjeld</b>		<b>14 868 000</b>	<b>23 460 000</b>
<b>Sum gjeld</b>		<b>95 152 000</b>	<b>101 742 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>88 806 000</b>	<b>102 708 000</b>



Ernst & Young AS

Att.: Finn Ole Edstrøm

This letter of representations is provided in connection with your audit of the financial statements of the companies listed in Appendix I ("the Companies") for the year ended 31 December 2019. We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the companies as of 31 December 2019, and of its operations and its cash flows for the year then ended in accordance with the Norwegian Accounting Act §3-9 and regulations on simplified International Financial Reporting Standards (IFRS) as set by The Norwegian Department of Finance.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). This involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial statements and financial records**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 25 October 2018, for the preparation of the financial statements in accordance with the Norwegian Accounting Act and simplified IFRS.
2. We acknowledge, as members of management of the Companies, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above present fairly, in all material respects the financial position, results of operations and cash flows of the Companies in accordance with the Norwegian Accounting Act and simplified IFRS, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Companies, we believe that the Companies has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Norwegian Accounting Act and simplified IFRS that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.



**B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Companies business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and errors
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations including fraud that may have affected the Company (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Company’s financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Companies business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

**C. Information provided and completeness of information and transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
  - Additional information that you have requested from us for the purpose of the audit and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements. In our opinion, we have fulfilled our duty to properly register and document the accounting information in accordance with Norwegian law and bookkeeping practice generally accepted in Norway.



3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) until this date.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Companies related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the end of the period. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Companies has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. We have disclosed to you any cybersecurity breach that either occurred or that third parties (including regulatory agencies, law enforcement agencies and security consultants) had brought to our attention during the period under audit and up to the date of the representation that could potentially be material to the financial statements.

**D. Assets**

1. Except for assets recognized as right-of-use assets in accordance with IFRS 16 Leases, the Companies has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Company's assets, nor has any asset been pledged as collateral, other than those that are disclosed in notes to the financial statements.
2. All assets, including contingent assets, are correctly reflected in the financial statements.

**E. Liabilities and contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in notes to the financial statements all guarantees that we have given to third parties.

**F. Remuneration to the Board, management and employees**

1. To the extent required by the Accounting Act sections 7-31 and 7-32 and general financial statements legislations, the financial statements and footnote disclosures contain complete information regarding all agreements made by the managing director, chair of the Board, other board members and other executives with respect to compensation, options/warrants, pension, early retirement and termination rights as well as all loans or collateral provided to Board members, shareholders and employees.



Since 31 December 2019, the following changes have been made to these agreements:

(list or confirm no changes)

2. No board members, employees or other individuals and/or Companies included in the (Public) Limited Liability Companies Act section 6-17 have received any compensation violating the regulations of this section.

**G. Going concern**

1. Note 2.1 to the financial statements discloses all of the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**H. Subsequent events**

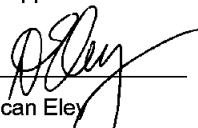
1. Other than the negative impact expected from the effects of covid-19 and the recent decline in oil price, as described in note 14 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
2. We confirm that we have provided you with information about effects of covid-19, and that these effects have been adequately considered and presented in the Board of Directors' report and notes to the financial statements.

**I. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Board of Directors Report 2019.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Dubai, 29/06/2020

See Appendix I

  
\_\_\_\_\_  
Duncan Eley  
Chief Executive Officer

  
\_\_\_\_\_  
Hans-Peter Burlid  
Chief Financial Officer



**Appendix I – Companies covered by this letter of representation**

Polarcus Adira AS  
Polarcus Alima AS  
Polarcus Amani AS  
Polarcus Asima AS  
Polarcus Naila AS  
Polarcus Nadia AS  
Polarcus Shipholding AS  
Polarcus Norway AS



## Polarcus Adira AS

### Annual Report 2019

The Board of Directors' Report .....	1
Statement of Comprehensive Income .....	3
Statement of Financial Position.....	3
Statement of Cash Flows .....	4
Statement of Changes in Equity .....	5
Notes to the Financial Statements .....	6



## The Board of Directors' Report

### 1 Operations and locations

Polarcus Adira AS (the "Company") is a company with limited liability incorporated under the laws of Norway. The registration number of the Company is 998026016 and its registered office is at Filipstad brygge 1, 0252 Oslo, 0301 Oslo, Norway. The Company owns one seismic vessel *Polarcus Adira* (the "Vessel"). The Company currently has no employees.

Polarcus Shipholding AS owns 100% of the share capital of the Company as at 31 December 2019. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group (the "Group").

During the year ended 31 December 2019 the Vessel operated in Mauritania and Mexico. The operations in Mauritania were conducted under seismic data acquisition agreement between the Company and an external client. Operations in Mexico were undertaken under short-term charter hire agreements between the Company and other Polarcus Group entities.

### 2 Comments related to the financial statements

Revenues of USD 36.4 million were generated from operations. The cost of sales totalled USD 34.0 million and general and administrative costs totalled USD 2.5 million. Depreciation for the year was USD 3.3 million, after which an operating loss of USD 3.3 million was reported. The net loss for the year amounted to USD 7.3 million after deducting USD 4.0 million in net financial expenses, primarily related to interest expenses on the long term borrowings described in the notes to the financial statements.

Cash flow from operating activities during the year was negative USD 3.8 million. The Company invested USD 0.3 million in additional equipment onboard the Vessel. Net cash outflow in financing activities was USD 2.4 million, mainly related to the interest paid on the Company's external interest bearing debt.

### 3 Going concern and future outlook

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. This assumption is based on the Company's expectation that it will receive sufficient financial support from Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited has provided the Company with an undertaking to support the Company to meet its financial obligations for a minimum period of 12 months from the date of this report. However, Polarcus Limited's ability to provide financial support to the Company, and therefore the going concern assumption, is subject to material uncertainty as described below.

Polarcus Limited and its subsidiaries' (the "Group") expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020, spending reductions announced by E&P companies and the global imperative to mitigate the effects of COVID-19. Certain hydrocarbon exploration and production investments, expected to utilize marine seismic acquisition in 2020, may not be commercially viable for E&P companies in the foreseeable future or may be compromised by operational restrictions which hinder or prevent project performance. This could lead to reduced levels of current or prospective backlog for the Group through project cancellations or deferrals of project awards. The Company's ability to continue as a going concern is dependent upon the Group securing suitable backlog.



## 4 Risk Factors

The Company is exposed to various risks including but not limited to market risks related to securing customer contracts for the Vessel, operational risks such as unbillable technical downtime for the Vessel and financial risks related to repayment of financial liabilities. Please refer to Note 4 *Financial risk management* in the notes to the Financial Statements for further description of major financial risk factors.

As at 31 December 2019 the Company's book equity was negative USD 6.3 million. To be in compliance with the Private Limited Companies act § 3-4, the Company issued new shares to the parent company in consideration of USD 10 million, fully paid in during Q2 2020.

## 5 The working environment and the employees

The Company had no employees during the year 2019. During 2019, Polarcus DMCC, a fully owned subsidiary of Polarcus Limited provides administrative services to the Company from its office in Dubai, UAE. The crew operating the vessel is employed by other Polarcus Group companies and hired into the Vessel on a project by project basis.

## 6 Environmental report

The Company's commitment to the environment has the goal of "Zero Spills" with regard to oil pollution of the marine environment and includes the commitment to recycle wherever possible, to minimize waste and emissions and to cause minimum negative impact on the environment. The Company recorded zero spills in 2019.

## 7 Allocation of net income

The Board of Directors have proposed the net loss of USD 7,312,000 to be allocated to Retained earnings.

Oslo, 25 June 2020

Erik Mathiesen

*Chairman of the Board*

Duncan Eley

*Board member*



## Statement of Comprehensive Income

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-19	31-Dec-18
<b>Revenues</b>			
Operating revenues	5	32,375	42,106
Other income	5	4,051	149
<b>Total Revenues</b>		<b>36,426</b>	<b>42,255</b>
<b>Operating expenses</b>			
Cost of sales		(33,957)	(39,447)
General and administrative costs		(2,448)	(2,991)
Depreciation	6, 9	(3,307)	(3,085)
Impairments		-	-
<b>Total Operating expenses</b>		<b>(39,712)</b>	<b>(45,523)</b>
<b>Operating profit/(loss)</b>		<b>(3,286)</b>	<b>(3,268)</b>
<b>Financial expenses</b>			
Finance costs	11	(5,397)	(5,390)
Finance income		1,370	997
Gain on financial restructuring		-	5,700
<b>Net financial income/(expenses)</b>		<b>(4,026)</b>	<b>1,307</b>
<b>Loss for the period before tax</b>		<b>(7,312)</b>	<b>(1,961)</b>
Income tax expense	12	-	-
<b>Loss for the period/Comprehensive loss</b>		<b>(7,312)</b>	<b>(1,961)</b>



## Statement of Financial Position

<i>(In thousands of USD)</i>	Notes	31-Dec-19	31-Dec-18
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	6	56,063	58,931
Right-of-use assets	9	253	-
<b>Total non current assets</b>		<b>56,316</b>	<b>58,931</b>
<b>Current assets</b>			
Loans to other Group companies	13	20,000	20,000
Receivable from customers		214	11,691
Receivable from other Group companies	13	7,753	3,459
Other current assets		4,456	2,143
Cash and bank		67	6,485
<b>Total current assets</b>		<b>32,490</b>	<b>43,778</b>
<b>TOTAL ASSETS</b>		<b>88,805</b>	<b>102,708</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Paid-in share capital	7	83	83
Share Premium	7	114,070	114,070
Retained earnings/(loss)		(120,499)	(113,187)
<b>Total equity</b>		<b>(6,346)</b>	<b>966</b>
<b>Non current liabilities</b>			
Interest bearing debt - external	8	80,284	78,282
<b>Total non current liabilities</b>		<b>80,284</b>	<b>78,282</b>
<b>Current liabilities</b>			
Lease liabilities		255	-
Payable to other Group companies	13	11,196	10,414
Accounts Payable		1,680	7,582
Other accruals and payables		1,737	5,464
<b>Total Current Liabilities</b>		<b>14,867</b>	<b>23,461</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>88,805</b>	<b>102,709</b>

Erik Mathiesen  
Chairman of the Board

Duncan Eley  
Board member



## Statement of Cash Flows

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-19	31-Dec-18
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the period		(7,312)	(1,961)
<b>Adjustment for:</b>			
Depreciation	6, 9	3,307	3,085
Interest expense	11	5,360	5,347
Interest income		(1,306)	(949)
Gain on financial restructuring		-	(5,700)
<b>Working capital adjustments:</b>			
Decrease/(Increase) in current assets		4,870	(7,486)
Increase in trade and other payables and accruals		(8,701)	15,704
<b>Net cash flows from operating activities</b>		<b>(3,781)</b>	<b>8,039</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	6	(261)	(720)
<b>Net cash flows used in investing activities</b>		<b>(261)</b>	<b>(720)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of ordinary shares		-	20,000
Intra-group loans provided		-	(20,000)
Lease liabilities paid	9	(176)	-
Decrease/(Increase) in restricted cash		-	3
Interest paid		(3,506)	(3,402)
Interest income		1,306	949
Other finance costs paid		-	(850)
<b>Net cash flows from financing activities</b>		<b>(2,376)</b>	<b>(3,300)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(6,418)</b>	<b>4,018</b>
Cash and cash equivalents at the beginning of the period		6,485	2,467
<b>Cash and cash equivalents at the end of the period</b>		<b>67</b>	<b>6,485</b>



## Statement of Changes in Equity

For the year ended 31 December 2019

<i>(In thousands of USD except for number of shares)</i>	<b>Number of Shares</b>	<b>Issued Share capital</b>	<b>Share Premium</b>	<b>Retained Earnings/ (Loss)</b>	<b>Total Equity</b>
<b>Balance as at 1 January 2019</b>	100,000	83	114,070	(113,187)	966
Total comprehensive loss	-	-	-	(7,312)	(7,312)
<b>Balance as at 31 December 2019</b>	<b>100,000</b>	<b>83</b>	<b>114,070</b>	<b>(120,499)</b>	<b>(6,346)</b>

For the year ended 31 December 2018

<i>(In thousands of USD except for number of shares)</i>	<b>Number of Shares</b>	<b>Issued Share capital</b>	<b>Share Premium</b>	<b>Retained Earnings/ (Loss)</b>	<b>Total Equity</b>
<b>Balance as at 1 January 2018</b>	100,000	71	94,082	(111,226)	(17,073)
Total comprehensive loss	-	-	-	(1,961)	(1,961)
<b>Increase in share capital</b>					
Increase in face value of shares from NOK 5 to NOK 6, paid in at NOK 1,573.10 per share	-	12	19,988	-	20,000
<b>Balance as at 31 December 2018</b>	<b>100,000</b>	<b>83</b>	<b>114,070</b>	<b>(113,187)</b>	<b>966</b>



## Notes to the Financial Statements

### 1 General information

The financial statements of Polarcus Adira AS (the "Company") for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 25 June 2020.

The Company provides its marine towed streamer seismic data acquisition services to customers worldwide. The Company also leases out its vessel *Polarcus Adira* (the "Vessel") to other Polarcus Group companies under short term seismic acquisition agreements or charter hire agreements.

The Company's registered office is at Filipstad brygge 1, 0252 Oslo, 0301 Oslo, Norway.

As at 31 December 2019 the Company is a fully owned subsidiary of Polarcus Shipholding AS, a company incorporated in Norway. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited's consolidated audited financial statements for the year ended 31 December 2019 are publicly available on Polarcus Group's website [www.polarcus.com](http://www.polarcus.com).

### 2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below.

#### 2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis. The financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

In accordance with the Accounting Act § 3-3a, these financial statements have been prepared under the assumption of going concern. This assumption is based on the Company's expectation that it will receive sufficient financial support from Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited has provided the Company with an undertaking to support the Company to meet its financial obligations for a minimum period of 12 months from the date of this report. However, Polarcus Limited's ability to provide financial support to the Company, and therefore the going concern assumption, is subject to material uncertainty as described below.

Polarcus Limited and its subsidiaries' (the "Group") expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020, spending reductions announced by E&P companies and the global imperative to mitigate the effects of COVID-19. Certain hydrocarbon exploration and production investments, expected to utilize marine seismic acquisition in 2020, may not be commercially viable for E&P companies in the foreseeable future or may be compromised by operational restrictions which hinder or prevent project performance. This could lead to reduced levels of current or prospective backlog for the Group through project cancellations or deferrals of project awards. The Company's ability to continue as a going concern is dependent upon the Group securing suitable backlog.

#### 2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act §3-9 and regulations on simplified IFRS as set by The Norwegian Department of Finance on 21 January 2008. This means that recognition and measurement are in accordance with international accounting standards (IFRS) and the presentation and accompanying notes are in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting practice.



## 2.3 Foreign currency translation

### 2.3.1 Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is also the Company's functional currency.

### 2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized as profit or loss as part of the fair value gain or loss.

## 2.4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is presented net of discounts, rebates, returns and sales taxes or duty. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

### 2.4.1 Proprietary sales/contract sales

The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes the revenue from proprietary contract sales as the services under the contract are performed on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied. Any fees paid to the Company on mobilising to or demobilising from a proprietary project is considered as part of the total revenue for that project, hence included in the revenue recognised over the term of such project. Any amount collected from the customers for which the revenue recognition criteria have not been met during the period reported, is recognized as a contract liability in the consolidated statement of financial position.

### 2.4.2 Charter hire revenue

Charter hire revenue arising from operating lease of the Vessel is accounted for on a straight-line basis over the leased term and is included in revenue due to its operating nature.

## 2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition, construction or installation of the items, including borrowing costs capitalized according to the Company's policy which is described further below.

Depreciation is calculated on a straight-line basis over the useful life of the asset once the asset is ready for use. The estimated useful life of major assets is as follows:

Seismic vessel	30 Years
Streamers	8 years



Seismic equipment 3-30 Years

Maritime equipment 5-30 Years

Each component of the Vessel with a cost significant to the total cost is separately identified and depreciated on a straight-line basis over that component's economic life. Subsequent expenditures and major renovations and inspections are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Dry-docking and classification costs for the Vessel are capitalized and depreciated over the period until the next expected dry-docking, normally 30 months.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at least every balance sheet date. Adjustments, where applicable, are made on a prospective basis. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are presented net in the income statement.

## 2.6 Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

### 2.6.1 Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss, as described in Note 2.13 Impairment of non-financial assets.

**Polarcus Adira AS | 2019 Annual Report**

Page | 9



The Company has applied the practical expedient available under IFRS 16 that permits lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

## 2.6.2 Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

## 2.7 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement or capitalized in accordance with the accounting policy for borrowing costs as mentioned below, over the period of the borrowings using the effective interest method.

Interest payable on borrowings is classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2.8 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except for borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset.

## 2.9 Transit costs

Transit costs are costs related to moving the vessel from one location to another. Transit costs are deferred when it is probable that future economic inflows from the project(s) to which the vessel transits are sufficient to recover the costs of transit. If the project(s) is not able to recover all of the transit costs, only the costs that are recoverable are deferred. Transit costs deferred are charged to expense based upon the percentage of completion of the project(s).

## 2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents that are restricted for the Company's use are disclosed separately in the balance sheet and are classified as current or non-current depending on the nature of the restrictions. For the purpose of the cash flow statements, changes in restricted cash are disclosed as part of the "Investing activities".

## 2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

## 2.12 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the instrument and are initially recognized at fair value, except trade receivables that are measured at



transaction price if the trade receivables do not contain a significant financing component. Subsequent to initial measurement, financial assets and liabilities are classified as per below.

## 2.12.1 Financial assets and liabilities measured at fair value through profit or loss

This includes the financial assets and liabilities measured at fair value upon initial recognition with change in fair value recognized through the consolidated income statement. Subsequent to initial recognition, financial assets and liabilities in this category are measured at fair value at the end of each reporting period with unrealized gains and losses being recognized through profit or loss.

As at 31 December 2019 the Company does not have any financial liabilities that are measured at fair value through profit or loss.

## 2.12.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Company and includes trade receivables, certain loans and borrowings, and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in this category are initially recognized at fair value, net of directly attributable transaction costs. After initial measurement financial assets and liabilities in this category are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. The EIR amortization is included in finance income for receivables and finance cost for borrowings. Losses arising from impairment of accounts receivable are recognized in operating expenses.

## 2.12.3 Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

## 2.13 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale.

## 2.14 Statement of cash flows

The Company's statement of cash flows is prepared using the indirect method. Cash flows from operating activities are incorporated as a part of the cash flow statement and the cash flows are divided into operating activities, investing activities and financing activities.



## 2.15 Income tax

Effective 01 January 2015, the Company made a voluntary exit from Norwegian tonnage tax regime and entered into the income tax regime. Upon exit from the tonnage tax system, new tax bases has been established for the Company's assets. The tax value of the assets are set equal to the market value in order to ensure that profits accrued within the tonnage tax regime do not become subject to taxation after the company has left the tonnage tax system.

Tax expense comprises both current tax and changes in net deferred tax. Current tax includes expected current tax on the year's taxable income using tax rates existing at balance sheet date and any corrections to previous years' current tax.

Deferred tax assets and liabilities arise as a result of temporary differences existing between the values attributed to items in the financial statements and their tax-related values. These are measured at the tax rate applicable for the reporting period. The calculation of deferred tax assets and liabilities also takes into account tax losses carried forward at balance sheet date. Deferred income tax assets and liabilities are offset to the extent that current income tax assets and liabilities can be offset. Deferred tax assets are recognized in the balance sheet when it is probable that there will be sufficient future taxable profit to utilize the tax asset.

## 3 Critical accounting estimates, assumptions and judgments

### 3.1 Impairment assessment of the vessel and seismic equipment

As at 31 December 2019 the Company performed an impairment test on the carrying value of the property, plant and equipment using the Value in Use method. The impairment assessment did not indicate any impairment on the carrying value of USD 56.1 million.

The Company used VIU method for the impairment test as the alternative method, FVLCD (Fair Value Less Costs of Disposal) is not considered defensible on a standalone basis in the current market which has insufficient observable transactions for similar assets. The VIU calculation is based on the net present value of future cash flows the Company expects to generate using the assets in their current condition. The calculation requires the Company to make assumptions in the VIU test about the future earnings that the Company will generate from using the assets. These forecasts are uncertain as they require assumptions about the demand for the Company's products and services, future market conditions and future technological developments. The outcome of the VIU calculation is highly sensitive to relatively small changes in those assumptions.

## 4 Financial risk management

### 4.1 Financial risk factors

The Company is exposed to a variety of financial market and operational risks. The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

#### 4.1.1 Financial market risk

##### **Fluctuations in Exchange rates and currency risks**

The Company's costs are primarily in USD, though there are also some smaller costs in foreign currencies, particularly NOK, GBP and EUR. The majority of revenues are in USD. A depreciation of the USD will probably have a negative impact on margins as the Company is expected to have higher revenues than expenses denominated in USD. However, the impact of a reasonably possible change in the USD exchange rate, with all other variables held constant, on the Company's financial performance and financial position are not expected to be significant.



Long term financing of the Company is in USD.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency, which is USD.

#### Cash flow and fair value interest rate risk

The Company's interest-bearing financial assets with variable interest rates as at 31 December 2019 are as per below:

<i>(In thousands of USD)</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Loans provided to other Group companies (refer to Note 12)	20,000	20,000
Deposits with banks	67	6,485
<b>Total</b>	<b>20,067</b>	<b>26,485</b>

Interest earned and received on these balances fluctuates with changes in the market interest rates. Any reasonably possible changes in the market interest rates related to the above financial assets are not considered to have a significant impact on the Company's financial position.

The Company's interest-bearing financial liabilities with variable interest rates as at 31 December 2019 are as per below:

<i>(In thousands of USD)</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Fleet bank facility (refer to Note 9)	80,284	78,282
Interest bearing debt with variable interest rates	13,296	6,482
% of interest bearing debt with variable interest rates	17%	8%

A hypothetical increase of LIBOR by one percentage point would increase the Company's interest expense on its debt with variable interest rates by approximately USD 0.1 million as measured at 31 December 2019.

#### 4.1.2 Credit risk

The Company's credit risk arises mainly from trade receivables and cash and cash equivalents deposited with banks.

The Company provides its services only to recognized, credit worthy clients who are primarily multinational oil and gas companies, including companies owned in whole or in part by governments, as well as to other companies within the Polarcus Group. It is the Company's policy that all external customers who wish to trade on credit terms are subject to credit verification procedures.

For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or higher are accepted by the Company. The Company's maximum exposure to credit risk for the components of the balance sheet is shown in the table below:

<i>(In thousands of USD)</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Receivable from customers	214	11,691
Receivable from other Group companies	27,753	23,459
Cash and short-term deposits	67	6,485
<b>Total</b>	<b>28,034</b>	<b>41,635</b>

#### 4.1.3 Liquidity risk

The Company monitors its risk to a shortage of funds by regular projected cash flow forecasts which also takes into consideration the maturity of its financial assets and liabilities. Any additional funding required is expected



to be provided by the parent company (or other related Group undertakings) either in the form of additional equity or as internal loans.

The table below analyses the Company's financial liabilities broken into different maturity groups based on the remaining period from 31 December 2019 to the date of contractual maturity. The amounts disclosed in the table are undiscounted contractual cash flows.

<i>(In thousands of USD)</i>	< 1 year	1-2 years	3-5 years	Total
Repayment of fleet bank facility	-	-	88,101	88,101
Interest payment for fleet bank facility	3,807	3,726	8,818	16,351
Payable to other Group companies	11,196	-	-	11,196
Trade and other payables	3,672	-	-	3,672
<b>Total</b>	<b>18,675</b>	<b>3,726</b>	<b>96,919</b>	<b>119,320</b>

## 5 Segment information

The Company provides its marine towed streamer seismic data acquisition services to customers worldwide. The Company also leases out the Vessel to other Polarcus Group companies under short term charter hire agreements. All activities of the Company are conducted and monitored as one business segment.

The Company's operating revenue earned during the year ended 31 December 2019 can be itemized as follows:

<i>(In thousands of USD)</i>	31-Dec-19	31-Dec-18
Exclusive client surveys (external customers)	24,487	40,426
Charter hire (related party)	3,780	180
Reimbursable revenue (related party)	4,108	1,500
Other income (insurance claims)	4,051	149
<b>Total</b>	<b>36,426</b>	<b>42,255</b>

The Company had one vessel, *Polarcus Adira*, in operation during the year ended 31 December 2019 and included in the property, plant and equipment. At the yearend date the Vessel was geographically located in São Tomé and Príncipe.



## 6 Property, plant and equipment

(In thousands of USD)

	Seismic vessel and equipment
<b>Year ended 31 December 2019</b>	
<b>Costs</b>	
Balance as on 1 January 2019	171,040
Additional capital expenditures	261
Balance as of 31 December 2019	<u>171,301</u>
<b>Depreciation and impairment losses</b>	
Balance as on 1 January 2019	112,109
Depreciation for the period	3,129
Balance as of 31 December 2019	<u>115,238</u>
<b>Carrying amounts</b>	
As of 1 January 2019	61,295
<b>As of 31 December 2019</b>	<b><u>56,063</u></b>
<b>Year ended 31 December 2018</b>	
<b>Costs</b>	
Balance as on 1 January 2018	170,319
Additional capital expenditures	721
Balance as of 31 December 2018	<u>171,040</u>
<b>Depreciation and impairment losses</b>	
Balance as on 1 January 2018	109,024
Depreciation for the period	3,085
Balance as of 31 December 2018	<u>112,109</u>
<b>Carrying amounts</b>	
As of 1 January 2018	61,295
<b>As of 31 December 2018</b>	<b><u>58,931</u></b>

The seismic vessel and equipment consist of vessel *Polarcus Adira* and the equipment on board.



## 7 Share capital

The Company's issued share capital as of 31 December 2019 is NOK 600,000 divided into 100,000 shares at par value of NOK 6 per share.

All issued shares have been paid in as at 31 December 2019.

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Total
Balance as at 1 January 2018	100,000	71	94,082	94,153
<b>Increase in face value of shares</b>				
24 April 2018 from NOK 5 to NOK 6, paid in at NOK 1,573.10 per share	-	12	19,988	20,000
<b>Balance as at 31 December 2018</b>	<b>100,000</b>	<b>83</b>	<b>114,070</b>	<b>114,153</b>
<b>Balance as at 31 December 2019</b>	<b>100,000</b>	<b>83</b>	<b>114,070</b>	<b>114,153</b>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Polarcus Shipholding AS owns 100% of the paid-in share capital of the Company as at 31 December 2019. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

## 8 Interest bearing debt - external

In October 2011, several vessel owning entities within the Polarcus Group entered into a loan facility of USD 410 million with DNB and DVB Bank SE, Nordic Branch, together with Garanti-instituttet for Eksportkreditt (GIEK) and Eksportfinans ASA (the "Fleet Bank Facility"). Tranche 4 of the Fleet Bank Facility being USD 114 million was drawn by the Company and used to partly finance the construction of the Vessel.

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the period	78,282	82,887
Unpaid accrued interest as at 1 January	147	148
Amortized interest and fees	2,002	1,094
Principal repayments	-	-
Finance costs - Interest charge	3,343	3,416
Gain on restructuring	-	(5,700)
Interest paid during the year	(3,490)	(3,416)
Unpaid accrued interest as at 31 December	-	(147)
<b>Balance at the yearend</b>	<b>80,284</b>	<b>78,282</b>
Of which:		
Current liability portion (due within 12 months)	-	-
Non-current liability portion	80,284	78,282
<b>Total liability at the yearend</b>	<b>80,284</b>	<b>78,282</b>
Nominal balance outstanding	86,045	86,045

## 9 Leases

The Company adopted IFRS 16 Leases using the modified retrospective method with the date of initial application of 1 January 2019. The Right-of-use asset recognized on the date of initial application includes the amount of lease liabilities recognized, initial direct costs incurred and prepaid lease amounts. The lease liabilities



are measured at the present value of lease payments to be made over the lease term. The prior year figures have not been adjusted.

### 9.1.1 Right-of-use assets and lease liabilities

*(In thousands of USD)*

	Equipment onboard the Vessel	Lease liabilities
<b>Initial measurement</b>		
Net present value of lease liabilities	431	431
<b>Balance as at 1 January 2019</b>	<b>431</b>	<b>431</b>
Additions	-	
Depreciation expense	(178)	
Lease payments	-	(176)
<b>Balance as at 31 December 2019</b>	<b>253</b>	<b>255</b>

## 10 Other financial assets and liabilities

Financial assets measured at amortized cost are as follows:

*(in thousands of USD)*

	31-Dec-19	31-Dec-18
Loans to other Group companies	20,000	20,000
Receivable from customers	214	11,691
Receivable from other Group companies	7,753	3,459
<b>Total financial assets measured at amortized cost</b>	<b>27,967</b>	<b>35,150</b>

Financial liabilities measured at amortized cost are as follows:

*(in thousands of USD)*

	31-Dec-19	31-Dec-18
Interest bearing debt – external	80,284	78,282
Payable to other Group companies	11,196	10,414
Accounts payable	1,680	7,582
Other payables	1,992	5,464
<b>Total financial liabilities measured at amortized cost</b>	<b>95,152</b>	<b>101,742</b>



## 10.1 Fair values

<i>(in thousands of USD)</i>	31-Dec-19		31-Dec-18	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash and deposits	67	67	6,485	6,485
Receivable from other Group companies	7,753	7,753	3,459	3,459
Loans to other Group companies	20,000	20,000	20,000	20,000
Receivable from customers	214	214	11,691	11,691
<b>Total</b>	<b>28,034</b>	<b>28,034</b>	<b>41,635</b>	<b>41,635</b>
<b>Financial liabilities</b>				
Interest bearing debt – external	80,284	70,391	78,282	65,928
Payable to other Group companies	11,196	11,196	10,414	10,414
Accounts payable	1,680	1,680	7,582	7,582
Other financial liabilities	1,992	1,992	5,464	5,464
<b>Total</b>	<b>95,152</b>	<b>85,259</b>	<b>101,742</b>	<b>89,388</b>

The carrying amounts of cash and deposits, accounts receivables and payables (including from and to other Group companies) and other current financial assets and liabilities approximate their fair values largely due to the short-term maturities of these instruments.

## 11 Finance costs

<i>(in thousands of USD)</i>	Year ended	
	31-Dec-19	31-Dec-18
Interest expense on Fleet Bank Facility (Note 9)	5,345	5,153
Interest expense on leases	5	-
Other financing costs	10	194
<b>Net interest expenses</b>	<b>5,360</b>	<b>5,347</b>
Currency exchange losses	36	43
<b>Total</b>	<b>5,396</b>	<b>5,390</b>



## 12 Income Tax Expense

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-19	31-Dec-18
Tax payable	-	-
Change in deferred tax	-	-
<b>Total tax expense</b>	<b>-</b>	<b>-</b>
<b>Calculation of this year's tax basis:</b> (according to Norwegian tax regulation)		
Profit/(loss) before tax	(7,312)	(1,961)
Permanente differences	407	-
Change in temporary differences	(9,314)	(11,321)
Interest limitation	4,043	3,112
<b>Tax basis for the year</b>	<b>(12,177)</b>	<b>(10,170)</b>
Tax payable	-	-
<b>Temporary differences</b>		
Non-current assets and liabilities	(31,748)	(41,660)
Tax loss carry forwards	(101,769)	(90,295)
Interest limitation carried forward	(16,278)	(12,143)
<b>Total</b>	<b>(149,794)</b>	<b>(144,098)</b>
22% deferred tax (2018: 22%)	<b>(32,955)</b>	<b>(31,702)</b>
<b>Not recognized deferred tax assets</b>	<b>(32,955)</b>	<b>31,702</b>
Recognized deferred tax assets	-	-
<b>Explanation of why this year's tax expense is not 22% of the net profit before tax:</b>		
22% tax of profit/(loss)	(1,609)	(451)
22% of permanent differences	90	-
22% of interest limitations	889	716
Change not recognized deferred tax assets	(630)	(265)
Calculated tax expense	-	-

Effective 01 January 2015, the Company made a voluntary exit from Norwegian tonnage tax regime and entered the income tax regime.

Deferred tax assets on tax losses have not been recognized, as the Company does not intend to utilize the tax losses carried forward in the foreseeable future. Tax returns and calculations are made in NOK and translated into US Dollars.

## 13 Related-party transactions

Polarcus Shipholding AS holds 100% of the paid-in share capital of the Company as at 31 December 2019. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited and Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.



## 13.1 Transactions with other Group companies

Below is a summary of the Company's transactions with other companies in Polarcus Group during the year ended 31 December 2019 and balances due to and from other Group companies in the ordinary course of Company's business as at the yearend.

<i>(In thousands of USD)</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Services received	7,888	12,361
Services provided	11,099	1,680
Interest earned on intra-group loans	1,248	908
Balance payable at yearend	11,196	10,414
Balance receivable at yearend	7,753	3,459

## 13.2 Loans to other Group companies

As at 31 December 2019 the Company has granted a loan of USD 20 million to Polarcus UK Limited (same as ta 31 December 2018). Interest applicable to the loan is LIBOR+4% p.a. The loan is repayable on demand by the Company or on the date insolvency or similar proceedings is being initiated in respect of the borrower.

## 13.3 Payments to key employees and board members

The Company had no employees during the year. No remuneration or benefits were paid to board members during the year. As the Company has no employees, it is not required to operate a defined contribution pension scheme.

## 13.4 Payments to auditor

Audit fee for 2019 is NOK 65,000 exclusive of VAT (2018: NOK 55,100).

## 14 Subsequent events

### 14.1 Increase in issued share capital

On 19 May 2020, the Company's issued share capital was increased by NOK 100,000 from NOK 600,000 to NOK 700,000 by increasing the nominal value of each of the existing 100,000 shares in the Company from NOK 6 to NOK 7. Total amount paid in by Polarcus Shipholding AS for the increase in share capital was USD 10 million.

On 27 May 2020, the Company granted a loan of USD 10 million to Polarcus Shipholding AS at an interest rate of LIBOR+4% p.a. The loan is repayable on demand by the Company or on the date insolvency or similar proceedings is being initiated in respect of the borrower.

### 14.2 Market conditions

After the balance sheet date, macro-economic uncertainty has been observed with regards to prices and demand for oil as a result of the COVID-19 pandemic and excess market supply. The Company's expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020.

## 15 Authorization of financial statements

The financial statements for the year ended 31 December 2019 were authorized in accordance with a resolution of the directors on 25 June 2020.



Statsautoriserte revisorer  
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo  
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00

www.ey.no  
Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Adira AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Polarcus Adira AS which comprise the balance sheet as at 31 December 2019, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act §3-9 and regulations on simplified International Financial Reporting Standards (IFRS) as set by The Norwegian Department of Finance.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2.1 – "Basis of preparation" of the financial statements, which indicates that the Company's ability to continue as a going concern is dependent upon receiving sufficient financial support from Polarcus Limited, the ultimate parent company in the Polarcus Group. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Building a better  
working world

## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act §3-9 and regulations on simplified International Financial Reporting Standards (IFRS) as set by The Norwegian Department of Finance, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - Polarcus Adira AS

A member firm of Ernst & Young Global Limited

Pennco Dokumentnøkkel: OKXF6-QQIEA-3VBPY-OK667-MTUXJ-PTHE4



## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 29 June 2020  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Finn Ole Edstrøm  
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: OKXF6-OQIEA-3VBPV-OK667-MTUXJ-PTHE4



# PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".  
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

## Finn Ole Stephansen-Smith Edstrøm

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5995-4-951045

IP: 77.16.xxx.xxx

2020-06-29 07:11:45Z



Penneo Dokumentnøkkel: 0KXF6-QQIEA-3YBPV-OK667-MTUXJ-PTHE4

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

### Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validate>



## Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 26.06.2013	Vår dato 01.07.2013
Telefon 22078139	Deres referanse Anders Gøbel	Vår referanse 2013/510643

ERNST & YOUNG AS  
Postboks 20 Oslo Atrium  
0051 OSLO

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Polarcus Adira AS, org. nr. 998 026 016

Det vises til deres brev mottatt 26. juni 2013 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Polarcus Adira AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Polarcus Adira AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

### Bakgrunn

Polarcus Adira AS ble stiftet 8. februar 2012 og registrert i Foretaksregisteret 6. mars 2012. Polarcus-gruppens konsernspiss er etablert på Cayman Islands. Her er også de fleste av gruppens selskaper etablert. Polarcus Adira AS er 100 % eiet av Polarcus Shipholding AS som igjen er 100 % eid av Polarcus UK Limited, et engelsk selskap, som igjen er eiet av konsernspiss Polarcus Limited. Gruppen ble notert på Oslo Børs Axess den 30. september 2009 og på Oslo Børs Primærliste 20. juni 2012. Tidligere har andre norske konsernselskaper fått tillatelse til å benytte engelsk språk. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss. Selskapet er et seismikkelskap. Dette er en internasjonal bransje og alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Selskapet har engelsk som arbeidsspråk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	Besøksadresse: Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org.nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
---------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------	------------------------------------------------------



*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “informative regnskaper for ulike grupper av regnskapsbrukere”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er indirekte eiet av et utenlandsk selskap. Eierkretsen er således begrenset. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss. Selskapets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland